Celebrating 50 Years

The GIC as Health and Benefits Leader

Then, Now, And In The Future

Group Insurance Commission
Fiscal Year 2005 Annual Report

Commonwealth of Massachusetts
Group Insurance Commission
Your Benefits Connection

The Group Insurance Commission

The mission of the Group Insurance Commission is to provide high value health, life, and other benefits to state employees, retirees, and their survivors and dependents. The agency works with vendors selected through competitive bidding processes to offer cost effective services through careful plan design and rigorous ongoing management. The agency's performance goal is enrollee satisfaction with cost-effective, high-quality benefits.

The GIC Offers the Following Benefit Programs:

- A diverse array of health insurance options
- Basic and optional term life insurance
- Long Term Disability (LTD) insurance
- Dental / Vision coverage for managers, Legislators, Legislative staff and certain Executive Office employees
- Dental coverage for retirees
- Discount vision plan for retirees
- Health Care Spending Account (HCSA)
- Dependent Care Assistance Program (DCAP)

COMMONWEALTH OF MASSACHUSETTS
GROUP INSURANCE COMMISSION
Fiscal Year 2005 Annual Report
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Dear Friends:

Eric Schultz, President and CEO of Fallon Community Health Plan, presented a commerative watercolor painting to Dolores Mitchell at the GIC's 50th Anniversity Celebration.

Since sports metaphors are so widely known and recognized, they often serve to make a point clear and understandable to a large audience. As we look back on the Group Insurance Commission's last fifty years, and look ahead to what we are working on now, it is clear that the GIC has not been afraid to keep moving the ball down the health and benefits field, constantly challenging providers and insurers to innovate and improve. Given our position as the largest employer health care purchaser in New England, we have a responsibility to do so.

Massachusetts was *the first state in the nation* to implement a comprehensive, contributory group insurance program for its employees, and since its inception, the GIC has grappled with the seemingly contradictory goals of containing rising health care costs while demanding health care improvement. The GIC has always believed that we can keep the ball moving on both counts. Patient safety, risk adjustment, mental health parity and useful benefit communications are just a few of the initiatives that the GIC has advanced during its 50 year history.

Inside, you will read more about these and other innovative programs, including where we are today and where we hope to go with our Clinical Performance Improvement Initiative, a program that seeks to identify high quality, cost-effective physicians and hospitals, and to reward enrollees for choosing these providers through lower co-pays. This program has gained national attention, but it also has met with some resistance. Change is not easy. Collaboration with all health care players – purchasers, health plans, providers, government entities and enrollees – will be the key to this and other programs' successes.

At the recent celebration of our 50th Anniversary, Eric Schultz, President and CEO of Fallon Community Health Plan, presented a watercolor painted by a Worcester artist, the daughter of two GIC enrollees. In a letter accompanying the painting, the artist thanked the GIC for serving her family well, "The GIC faces an array of health challenges undreamed of half a century ago. The work it does is deeply appreciated. Please accept this artwork as one person's way of saying thank you."

We hope that as you read this annual report, you will conclude that we do our best to serve our enrollees well, while making prudent use of taxpayers' money and advancing health care quality for the benefit of all citizens of the Commonwealth, not just the over 266,000 people insured by the GIC.

Very truly yours,

Dolores L. Mitchell
Executive Director

GIC Commissioners Advance Health Care Initiatives and Tackle Challenges

History and Composition

The Group Insurance Commission (GIC) was established by the Legislature in 1955 to provide and administer health insurance and other benefits for the Commonwealth's employees and retirees, along with their dependents and survivors. Over the years, the GIC was given the responsibility of covering housing and redevelopment authority personnel and retired municipal teachers in certain governmental units. It is a quasi-independent state agency governed by an 11-member Commission appointed by the Governor. Commission members' input and expertise encompasses union and retiree representatives, the general public, the administration, and a health economist.

"The GIC is uniquely configured to represent employees, retirees, the administration, and the public. This mix stimulates wide-ranging discussions of critical health care issues. Many have said that the health care system is broken. Few have said how it can be fixed. Addressing these issues that are so critical to us all makes our work interesting and important.

"Everyone who pays for care – both the Commonwealth and we as individuals –feel we never get our money's worth, which creates tension. The GIC's work in identifying cost effectiveness of care so that individuals can make health care decisions that correlate to their own priorities will translate into better decisions by both our own members and health care purchasers throughout the Commonwealth. The GIC will continue to be a leader in making these changes possible, and we are encouraged that the Massachusetts Medical Society has embraced transparency in medical care."

Robert W. Hungate, Chair of Group Insurance Commission

"In my years on the GIC, I have been tremendously impressed by the staff's comprehensive knowledge of health insurance issues. Because of the staff's expertise, the Commission members are well aware of the many issues in health care today.

"The major challenge for the GIC over the next few years will be to find a way to continue to provide high-quality health care to state employees without constantly increasing the cost. We in Massachusetts are fortunate to have access to high quality health care. The challenge is how to pay for it."

Richard E. Waring, Union Member, NAGE, Vice Chair of Group Insurance Commission

"The GIC has been a powerful force in Massachusetts, leading the way in innovative programs that allow the Commonwealth's employees and retirees to be more actively involved in health care provider choices that balance quality and cost. I am appreciative to have had the opportunity over the past years to serve as a Commissioner.

"The ever-rising cost of delivering the highest quality health care resources poses the greatest challenge to the GIC. The Commission must work with health plans to provide useful information that members can use to select providers, services, and treatments that are most beneficial and cost-effective. This will allow the members to participate in the efforts of the Commission to continue to be able to offer affordable high quality benefits."

Suzanne Bailey, Designee for Julianne Bowler, Commissioner of Insurance

"I have been most impressed with the expertise and diligence demonstrated by all at the Commission in pursuing and managing outstanding insurance programs. In addition to the continuing challenge of assuring high quality, affordable health care, the Commission will be faced with an environment of increasing demand, limited supply, and an interest in managing services without compromising delivery of care, patient privacy or freedom of choice."

Theron R. Bradley, Public Member

"Through my experience on the Commission, I have a better understanding of health care. I forward this information to my fellow union members to give them insight into their benefits and the GIC. Our biggest challenge is keeping the cost of health care and prescription drugs affordable. Employee contribution and co-payment costs are also issues and concerns. We also need to encourage members to 'think healthier' and utilize fitness centers."

Stephen B. Chandler, Union Member, Local 5000, SEIU

"Working on the Commission is an extremely rewarding experience. I am honored to be the Commissioner who represents the retirees of the Commonwealth of Massachusetts. The greatest challenge will be to maintain the high quality health care at the most reasonable cost to our retirees at a time when the cost of health care is rapidly rising."

Alfred A. Fondacaro, Jr., Retiree Member

"As a member of the GIC for the past four years, my experience has been rewarding and educational. Health care is a primary concern of everyone and the opportunity to participate in the ongoing process of providing the best benefits to Commonwealth employees and retirees is an honor. The great challenge confronting the GIC is maintaining current levels of service while controlling escalating costs that could significantly impact these services in the future."

David R. Handy, Public Member

"Since joining the GIC in 2003, I have been amazed by one thing above all else: dedication-dedication of the Commissioners and staff to achieving not only the most cost effective health care for the employees and retirees of the Commonwealth, but also a dedication to improving the health care system in Massachusetts for all. This goes above and beyond the job description, but is the way that the GIC approaches its mission."

Peter Schwarzenbach, Designee for Thomas A. Trimarco, Secretary of Administration and Finance

"My experience on the Commission has been both challenging and rewarding – challenging in that the issues are complex and substantive, and rewarding in that the GIC provides excellent benefits for Massachusetts employees, past and present, while delivering those services at the best possible cost.

"The biggest challenge is to continue to provide excellent care at the most reasonable cost, a tradeoff that is not easily achieved in this era of escalating costs and increasing technological and pharmaceutical advances. In order to meet this challenge, the GIC, under the outstanding leadership of its Executive Director, Dolores Mitchell, must continue to attract and retain superb employees who are able to perform with consummate professionalism."

Thomas A. Shields, Public Member

"The GIC is always up for the game. The challenge is enormous: administering $1 billion of insurance for hundreds of thousands of individuals. And the team is small: fewer than 45 paid employees. But the results are reminiscent of the Celtics in the '60s, one triumph after another, often against great odds. It is a privilege to serve as a Commissioner. The work is important for those we serve. It is intellectually engaging as well, since the GIC is at the forefront of effective innovation in the health care arena. The scoreboard shows the result: better quality care at more affordable cost."

Richard Zeckhauser, Health Economist Member

GIC Recognized for Innovation

2004

"Massachusetts Health Data Consortium Investing in Information Award" for two of the GIC's programs that identify opportunities for potential clinical interventions that improve members' care and avoid potential medical errors; "New England Employee Benefits Council (NEEBC) Best Practices Award" for the GIC's Clinical Performance Improvement Initiative, which encourages the use of high quality, cost-effective providers; "Manuel Carballo Governor's Award" recognizing the GIC's Paul Murphy, Supervisor of Operations, for personifying excellence in public service; "Eugene H. Rooney, Jr. Public Service Award" recognizing the GIC's Deputy Director, Robert Johnson, for demonstrating creativity and innovation in the area of human resources development and training.

2001

"National Health Care Purchasing Institute Public Sector Health Care Purchaser Award" for achievement in the purchasing of quality health care for its beneficiaries; "New England Employee Benefits Council (NEEBC) Best Practices Award" for the GIC's Leapfrog Patient Safety Initiative.

1999

"NEEBC Best Practices Award" for the GIC's mental health parity initiative; "Technology Enhancement Governor's Achievement Award" for contribution to creation and implementation of the Human Resources Compensation Management System (HR/CMS).

1996

"Massachusetts Health Data Consortium Investing in Information Award" for the GIC's survey of state employees and retirees.

1993-2004

One hundred percent staff participation in the "Commonwealth of Massachusetts Employees Charitable Campaign (COMECC)," which supports a variety of private and non-profit health, human services, and environmental organizations.

1993

"Manuel Carballo Governor's Award", recognizing the GIC's Nancy Bolduc, Director of Operations, for personifying excellence in public service.

1988

"Business Insurance Total Benefits Communications Award" for the GIC's *It's Your Choice '88* communications campaign.

GIC Executive Director Dolores L. Mitchell accepts the Massachusetts Health Data Consortium's Investing in Information Award from the Consortium's Executive Director, Elliot Stone. Sadly, Mr. Stone, a long time friend of the GIC and the Massachusetts health care community, as well as a member of the GIC's Institutional Review Board, died soon after this photo was taken. Mr. Stone has been succeeded by Ray Campbell who was also a member of the GIC's Institutional Review Board.

Then and Now

	FY1956	FY2005
Full Cost Weighted Average Monthly Health Plan Premium Individual	$5.10	$417.92
Full Cost Weighted Average Monthly Health Plan Premium Family	$11.26	$943.35
Number of Health Insurance Enrollees	29,985 – 13,086 individual and 16,899 family contracts	140,846 – 41,370 individual, 54,293 family and 45,183 Medicare contracts
Programs Offered	Health Insurance $2,000 basic life insurance active employees; $1,000 basic life insurance retirees	Health Insurance Basic Life Insurance - $5,000 for employees and retirees Optional Life Insurance Long Term Disability (LTD) Dental / Vision coverage Health Care Spending Account (HCSA) Dependent Care Assistance Program (DCAP) Retiree Dental Coverage Retiree Discount Vision Plan
Number of Non-Medicare Plans Offered	1	9
Number of Medicare Plans Offered	N / A - Medicare did not exist until 1966	6
Number of full time employees	3	43
Total Medical Expenditures	$1,544,573 (half year)	$954,111,355
Total Expenditures All Programs*	$1,876,796 (half year)	$1,063,661,675

* In 1956, the GIC offered basic life and medical insurance. In 2005, the GIC offered basic life, optional life, health insurance, dental / vision for managers, retiree dental, and Long Term Disability.

Promoting Change in the Health and

October 14, 1955
The Legislature established the GIC

October 27, 1955
First Commission meeting held: GIC has 5 Commissioners and 3 employees located at the State House, Room 126

November 16, 1955
First Request for Proposal for health benefits issued – 40 proposals received from 18 companies

January 1, 1956
The GIC began operation

The 1960s
Survivor and student health coverage offered; Department of Public Welfare for cities and towns and pre-1968 City of Boston retirees added to GIC program; GIC moved to the Ford Building (replaced by McCormack)

January 1, 1961
Optional life insurance up to $21,000 introduced

July 1962
Elderly Governmental Retirees (EGRs) added to GIC program

1966
Outpatient prescription drug coverage introduced

July 1, 1966
GIC authorized to offer complementary Medicare coverage

November 1970
Retired Municipal Teachers (RMTs) added to GIC program

Fiscal Year 1970
GIC began process to convert paper eligibility records to computer tape; GIC moved from Ford Building to Causeway Street (Morton's Department Store) and Madison Hotel

1971
Number of Commissioners increased to seven

July 1, 1974
HMO coverage introduced - Harvard Community Health Plan sole plan offered

1974
Number of Commissioners increased to nine

Fiscal Year 1975
GIC moved from Causeway Street and Madison Hotel to McCormack Building

1976
Optional Life Insurance maximum increased to $74,000

1982
Number of Commissioners increased to 11; GIC had 105 employees

October 1983
GIC moved from McCormack Building to the Hurley Building

1984
GIC began development of MAGIC (Massachusetts Automated Group Insurance Commission) eligibility system

July 1985
GIC began system conversion to new MAGIC system; 20 HMO plans offered

January 1, 1986
First HMO Medicare Supplemental plan offered

February 1986
Basic life insurance increased from $2,000 to $5,000; MAGIC computer system goes live

Spring 1986
First comprehensive benefits guide, "It's Your Choice," issued for annual enrollment

December 1987
IBM monthly key punch card and certificate number systems discontinued

January 1988
GIC's first newsletter, "For Your Benefit," issued

February 1988
Mail order prescription drug benefit implemented for Indemnity Plan

Benefits Field Throughout Its History

April 1988
236 health fairs and presentations held across state to introduce benefit changes and switch from Blue Cross Blue Shield as indemnity health plan carrier to John Hancock; Executive Director testified at all-day Public Hearing at the Gardner Auditorium

July 1, 1988
Optional life insurance maximum increased to up to eight times salary; Long Term Disability (LTD) program introduced; Mail order prescription drug benefit began for Indemnity Plan members

1991
Mandatory Medicare implemented

July 1991
Pharmacy carve out Plan introduced for Indemnity Plan members

January 1992
First personalized enrollee benefit statements distributed to insureds

July 1992
Chargeback program to state agencies established for leaves of absence

July 1993
Preferred Provider Organization (PPO) plans for medical and mental health implemented; Comprehensive integrated mental health/employee assistance program introduced, a model for the Commonwealth's Mental Health Parity Law enacted in 2000. This included an EAP for state agency needs; Health Care buy-out and pre-tax benefit options implemented; Data reporting requirements added to health plan procurements

July 1, 1994
Mail Order prescription drug benefit added to PPO medical plan

January 1995
Dental/Vision for state managers, constitutional officers and Legislators introduced

July 1, 1996
Life Insurance benefits enhanced to include terminal illness, seatbelt and increased Accidental Death and Dismemberment benefits; Indemnity PLUS Plan introduced

January 1997
Non-smoker optional life insurance benefits introduced; Institutional Review Board (IRB) implemented

July 1998
Market-Based Reimbursement Schedule implemented for Indemnity Plan; Coronary Artery Disease (CAD) program rolled out to HMOs; Quality Breakthrough Initiative pilot programs for under-treated or under-recognized illnesses launched in HMO plans

July 1, 1999
Mental health parity benefit in HMO plans introduced; "Do It" Diabetes Management program implemented in Indemnity Plan; Premier Indemnity Plan program for chronic conditions introduced

February 2000
Human Resources Compensation Management System (HR/CMS) implemented with an interface to the GIC's MAGIC system

July 2001
Early Risk Intervention Program implemented in PPO plan; Leapfrog Patient Safety Initiative rolled out to the GIC's HMO contracts, ultimately providing incentives to plans that increased admissions to safety-enhanced hospitals

Fall 2001
GIC assumed responsibility for Dependent Care Assistance Program (DCAP); Retiree Vision Discount Plan introduced

July 1, 2002
Retiree Dental plan introduced; Out-of-state fee schedule implemented for the Indemnity Plan; Risk Adjustment adopted to account for changes in each health plan's enrollees' average health risk during annual enrollment; Long Term Disability plan enhanced to include first-of-its-kind expanded coverage for mental health disabilities in intermediate care settings

September 2002
Comprehensive GIC website launched

July 1, 2003
Clinical Performance Improvement Initiative adopted measuring provider performance on cost-efficiency and quality; Health Care Spending Account (HCSA) introduced

March 2005
Clinical Performance Improvement Initiative continues; providers' cost efficiency data provided to health plans to devise tiered benefit plans based on providers' cost effectiveness and quality

FY05 in Review - The GIC Presses Ahead

Changing How Enrollees Choose and Use Care

In FY04 the GIC launched an innovative program to address quality and cost effectiveness gaps among doctors, hospitals, and other providers on quality care and cost effectiveness. Called the Clinical Performance Improvement (CPI) Initiative, the GIC and its consultant, Mercer Health and Benefits, began gathering claims data from health plans in an effort to quantify differences in care. Health policy experts believe that modifying provider behavior is the key to increasing the quality and reducing the cost of health care. These efforts continued to evolve during FY05. GIC Plans' provider data covering calendar years 2002-2004 were aggregated and over nine million episodes of care were analyzed. This data analysis was provided to the plans, giving them both multi-plan and health plan-specific provider efficiency scores and de-identified claims data to develop their FY07 plan designs.

Plans that implemented aspects of the CPI Initiative by giving enrollees co-pay incentives for choosing cost-effective, quality hospitals or selective hospital networks were designated with a new Select & Save logo for easy identification at annual enrollment time. Existing plans that met criteria for the Select & Save designation included the Commonwealth Indemnity Plan Community Choice, Fallon Community Health Plan Direct Care and Navigator by Tufts Health Plan. Other plans rose to the GIC's challenge and also earned the designation:

- Commonwealth Indemnity Plan PLUS – tiered hospital network
- Health New England – tiered hospital and diagnostic imaging networks

Enrollees' reaction to the Select & Save plans was generally positive. Of the 2,700 enrollees who changed health plans during annual enrollment, more than two-thirds chose Select & Save plans.

The provider community has been supportive of the concept of transparency, but as might be expected, there are always issues of methodology, timing and reporting. The GIC has actively worked to keep provider representatives apprised of our efforts and has been working with other health care purchasers and organizations throughout the country to begin developing mutually acceptable quality benchmarks. The GIC's CPI Initiative has garnered national interest, and the GIC's Executive Director, Dolores Mitchell, has been a frequent speaker at health care forums on this issue. We believe that together with all health care stakeholders – enrollees, providers, purchasers, the government, and health plans – joining forces, real change can be realized in improving health care quality while managing costs.

The Boston Globe
Editorial of July 25, 2005

The Boston Globe's editorial writers recognized the GIC's efforts to provide quality health insurance and other benefits at a reasonable cost to more than 266,000 state workers, retirees, and their dependents. The GIC was cited as a model for municipal governments.

"Municipal managers and union leaders need look no further than state government, where workers enjoy excellent, affordable health coverage. The annual increase in the cost of providing health coverage to state workers is about half that for municipal workers…The Commission can be counted on to press private health plans for the best service for state workers. It takes measures, such as adjusting workers' co-payments, to protect taxpayers. The Commission could be a model for local communities."

Program Advances

Prescription Drug Benefits for the Commonwealth Indemnity Plans

The GIC selected Express Scripts, Inc. to continue as its pharmacy benefit manager. The GIC introduced innovative prescription drug benefit changes effective July 1, 2005:

- To encourage members' drug compliance, the GIC reduced co-pays to only $2 retail and $4 mail-order for certain generic drugs: the generic version of a cholesterol lowering statin and the generic versions of certain heartburn/reflux medications.
- The GIC moved drugs of questionable efficacy, value and/or safety to the higher co-pay non-preferred brand drug tier: All Cox-2 inhibitors, omeprazole (generic Prilosec) and all Proton Pump Inhibitors (PPIs).
- To help offset the higher co-pay for Omeprazole, the GIC began a pilot program to cover over-the-counter versions of Prilosec at the low generic prescription drug co-pay level.

In my first job at the GIC, I pulled enrollees' eligibility from a card file and teletyped authorizations to Blue Cross to pay claims. Now, we give our health plans electronic eligibility files and they process the claims. Back then we had 216 payroll locations. Today we have over 900.

Nancy Bolduc, Director of Operations
GIC employee since 1962

Health Care Spending Account and Dependent Care Assistance Program

Although the GIC's pre-tax programs offer money-saving benefits to state employees, enrollment numbers have remained low. To help increase awareness of these benefits, the GIC embarked on an ambitious communications campaign during the fall open enrollment period. The monthly administrative fee, which is paid by the participant, was reduced by 12% to $3.95 monthly. A minimum contribution of $500 was established for HCSA and the maximum amount was raised to $2,000. A convenient debit card was added, which enabled employees to pay for eligible expenses without the need to submit claim paperwork and receipts. As a result of these efforts, program participation increased by 35% to 4,128 enrollees.

Over the years there have been many programs that the GIC implemented to improve the quality of health care for its enrollees. I was heavily involved in the development and start-up of the Retired Municipal Teachers' Program. This provided a mechanism to deduct premiums from retired teachers' pensions and, at the same time, remove an administrative burden from the participating cities, towns and school districts. Also, most satisfying to me was my participation in the development of an accounting system that provided accurate and historical data to meet the unique needs of the Commission.

Martin Foley, Director of Financial Management and CFO, GIC employee since 1965

Long Term Disability

Mental health benefits for LTD were again enhanced effective July 1, 2005. For employees actively at work, the GIC upgraded the mental health disability benefit for claimants receiving outpatient treatment from a maximum of 12 months to a maximum of 24 months.

Retiree Dental Plan

After a review of the Retiree Dental Plan claims experience, the GIC was able to negotiate a 9.5% premium decrease with its carrier, Altus Dental. At the same time, members' benefit levels were increased, which lowered enrollees' potential out-of-pocket costs.

Program Advances

Buy-Out Option

With input from the GIC, the legislature amended the buy-out law to increase the number of eligible enrollees. The buy-out option provides monthly payments in lieu of health benefits as long as the enrollee has health coverage somewhere else. Previously the statute required enrollees to have been insured on June 1, 1993 and to maintain continuous coverage by the GIC. Now, enrollees who have been continuously insured by the GIC for the prior six months may apply for the buy-out option.

When I started at the GIC, I had never used a computer before. Wow, I was impressed that you could write and edit letters easily - no need for White-Out anymore! No one had their computer at their own desk, though; there was a small number of computers we shared grouped in an area we nicknamed the Univac Room.

David A. Czekanski, Assistant Director and Program Manager, Policy and Program Management
GIC employee since 1986

Hastening Understanding of Benefits and Changes

Enrollee Communication Enhancements

Our annual personalized benefit statements added the State Board of Retirement's beneficiary form, which resulted in over 10,000 beneficiary updates for the Retirement Board. Area hospitals' Leapfrog Patient Safety ratings were included in the *Benefit Decision Guides*, with an additional Quality Index added. Both versions of the booklets were changed to an easier-to-use format.

The *ForYour Benefit* quarterly newsletter keeps enrollees up-to-date on their benefit options and changes, while also giving them health information and articles about what they can do to stay healthy and manage their own medical conditions. Newsletter delivery was extended to satellite agency locations to ensure that employees received these important updates.

As the first Director of Policy and Development, I had my work cut out for me, building the department from scratch. We recognized that we needed to move closer to private benefit plans in order to control costs and improve quality, and implemented a managed care program for the first time. In addition, as part of the five-year cycle and a rigorous evaluation process, we selected John Hancock to replace Blue Cross. Many aspects of these decisions were controversial and we invested a lot of time answering questions, going to legislative hearings, educating members, and explaining our decision to various state agencies. In the end, the decisions were validated. This experience demonstrated Dolores's willingness to rock the boat to make positive change, excellent teamwork among the staff, and the strength of a thorough analytic and evaluation process.

Alexandra Schweitzer, Director of Policy and Development 1985-1990.

The GIC's website continued to expand, with additional sections added to ensure access for visually impaired enrollees. Traffic to the website increased by 10% for the fiscal year.

Hastening Understanding of Benefits and Changes

Collaborating with Others

Collaborating with others is a critical part of the GIC's strategy. Improved quality and decreased costs can only be achieved through all players' collective efforts.

In FY05, the GIC participated in the Massachusetts Health Data Consortium's MedsInfo-Emergency Department pilot project. This project arranged to provide to Emergency Room staff at three area hospitals information on patients' prescription drug use, so that they could be treated safely, quickly and effectively. The lessons learned from the project will be rolled into a new electronic prescribing project next year, with streamlined and technologically simplified handling of electronic prescribing. This collaborative effort to advance "e-Prescribing" aims to reduce medical errors and improve medical practices' efficiency.

This was a time of relative calm in health care. Medical expense trends were relatively modest, benefit design changes were fairly infrequent, and the Commonwealth's financial situation was pretty stable. Therefore, the GIC spent its time of four key issues all of which were longer term and strategic in nature:

- *Health risk adjustment*
- *Member satisfaction among products*
- *Network and benefit outsourcing (prescription drug and behavioral health)*
- *Payment parity across product offerings*

No other employer/payor has done more work on incorporating the tools of risk adjustment into its contracting activities than the GIC. It remains the market leader in this domain. Similarly, the research that was done by the GIC on member satisfaction pre-dated – and foretold – many of the market and regulatory reforms that changed the fundamental nature of managed care in the late 1990s. The GIC also put the notion of outsourcing for certain services – pharmacy benefit management and behavioral health management – into the public domain before most other large employers moved in a similar direction. Finally, the GIC was the first large payor to question why rates paid to certain hospitals for the same services were so variable across plans and purchasers, and worked aggressively to close the gap among its own contracted plans.

Charles Baker, Jr., Secretary of Administration & Finance, and GIC Commissioner 1994-1998

Executive Director Dolores L. Mitchell is an active board member on a number of national and state organizations focusing on medical information technology (the Massachusetts Health Data Consortium and the national E-Health Initiative), the interests of health care purchasers (the Massachusetts Healthcare Purchasers Group), and patient safety (the Leapfrog Group and the Massachusetts Coalition for the Prevention of Medical Errors). She is a frequent speaker at health care conferences locally and nationally. GIC staff are active in the New England Employee Benefits Council (NEEBC), the Massachusetts Compassionate Care Coalition, and the Commonwealth's Human Resources/Compensation Management System (HR/CMS) Executive Committee.

{When I was Commissioner} the GIC was facing the prohibitive cost of providing comprehensive health care to employees and retirees of the Commonwealth. Only indemnity coverage was available with the catastrophic rider. The GIC led the way toward the managed care concept and therefore was able to hold the line somewhat on premium increases, as well as providing our subscribers with alternative choices in health care. This evolved into preferred provider territory which necessitated referrals from the primary care provider, similar to Health Maintenance Organizations.

During my time as a member of the GIC, we had to be creative to provide coverage to our insureds because of a lack of funding and budgetary shortfalls.

Ronald P. Harding, Commissioner 1984-1998

GIC Staff Collaborate to Advance the Agenda

Financial Management Division

The Financial Management Division prepares and maintains the financial and accounting records of the Commission. During FY05, the Commission spent $1.1 billion in state and employees' funds for the Commonwealth's insurance programs. The Division also oversees the revenue collection process, which resulted in the crediting of $254.6 million to the Commonwealth's General Fund during the fiscal year: $59.1 million in accounts receivable, $52.9 million from cities and town that participate in the GIC programs, and $142.6 million in revenue from the federal fringe benefit chargeback. The Financial Management Division also prepares the GIC's budget and spending plan, and provides detailed data to the Commonwealth's Fiscal Affairs Division.

There were many times that I felt personal satisfaction – I liked the staff meetings which helped me to see a bigger picture – how each area contributed to making the GIC work. I liked the forthright manner in which problems were approached. I enjoyed the humor, camaraderie, and respect for individuals – it truly seemed like a family [I remember another employee saying it was like a very large dysfunctional family which I thought was very funny – partly because I think every family is a little dysfunctional]. Because I was so far from home – for the first time in my life – I really needed a family [and a slightly dysfunctional family was all the better - like my own!]

Satisfying employment for me has always meant working for an organization that helps individuals and I felt like the GIC was helping people.

Claudia Cottingham, Administrative Assistant 1999-2002

Policy and Program Management

The Policy and Program Management Division collects and analyzes data on plan performance and costs, researches new benefits and plan designs, negotiates rates with carriers, monitors legislative developments, and oversees plan selection, program implementation and administration.

Upon assuming the position of Executive Secretary, I immediately met with the First National Bank of Boston and insisted that the GIC receive interest in the float balance that we had with them. This balance was about $7 million. Up to that time, the GIC was not receiving any interest. The float was all insured's money (employees and retirees). The money was to be used only to benefit the insureds.

Neil Y. H. Chin, Executive Secretary of the GIC 1982-1985
GIC employee 1958-1985

Taking the Clinical Performance Improvement Initiative to the next level has been the key focus of the department, requiring daily communication with the GIC's consultant and its health plans. Identifying doctors by a single identification number was a monumental task, as each plan uses its own numbers and providers use multiple identification numbers for billing purposes. The division's staff ensured success on this hurdle and others, working with various constituents in the health care community to elicit input on the CPI Initiative process and measures. The department issued its annual rate renewal documents that required the health plans to begin using the CPI Initiative concept in their benefit designs. Policy and Program Management staff worked with the plans to devise unique and effective benefit designs for the spring annual enrollment while negotiating rate reductions over those originally proposed.

GIC Staff Collaborate to Advance the Agenda

When I first started, we had a card file for every covered employee, retiree, and beneficiary. Data Entry had to assign a certificate number to each insured by plan, key them into the system, and then sort them to be filed. Now, we bar code this information directly into the system.

Donna Carbone, Data Entry Operator
GIC employee since 1974

To guard against adverse selection in the indemnity plans, Policy and Program Management staff analyzed preventative benefit disparities between the indemnity plans and other offerings. They priced out enhanced preventive benefits for the indemnity plans, resulting in the Commission adopting broader cholesterol and bone density screening for these plans. To level the playing field between the Indemnity PLUS Plan and other PPO-type offerings, the department staff recommended increasing office visit co-pays for the PLUS plan, which was adopted by the Commission effective July 1, 2005.

With the GIC's pharmacy benefit manager contract reaching its final year of a five-year contract, Policy and Program Management staff issued a comprehensive Request for Responses for pharmacy benefit services, which sought to ensure high quality service while improving price transparency. Resulting savings were $10 million for FY06 over the previous contract. Policy and Program Management staff also provided comments on the new federal government Medicare Part D regulations, which became effective on January 1, 2006.

Through its ongoing audit program, the division's auditors uncovered prescription drug mail-order overcharges. Nearly $290,000 was returned to enrollees in the form of credits or checks as a result of this finding. Division staff also issued Requests for Responses for a new audit vendor, data vendor and life insurance consultant. All work on the selection of the data vendor was done in house, saving the Commonwealth on costly consultant fees.

Administrative Services

The Administrative Services Division supports Commission staff, Commonwealth agencies, and enrollees. The public information unit assists enrollees by phone, email, mail and in person. In FY05, the unit spoke with over 35,000 enrollees by phone, sent out over 148,000 pieces of mail, and assisted over 8,100 enrollees who came to the agency for help with a range of insurance issues. The division's internal human resources unit is also vital to the GIC's success.

I find it impossible to single out one experience from the many satisfying ones I had at the GIC. I worked with singularly talented people and, together, we were able to make ground breaking—sometimes state-of-the-art—improvements in the benefits available to state employees and the manner in which those benefits were offered and managed.We improved benefits for our enrollees; we automated and improved our management and analytical processes; we saved the state money; we had a lot of fun doing it!

Charles P. Slavin, Director, Policy & Development 1990-1997

GIC Staff Collaborate to Advance the Agenda

When we first started, we generated typewritten bills to all insureds on direct bill. We had to manually keep track of their payments and send final and termination notices on a manual basis. About fifteen years ago, we automated the entire billing process, which improves accuracy and significantly decreases our manual labor.

Winnie Yee *(right)*, Supervisor, Eligibility / Reconciliation Unit, GIC employee since 1974
Sue Lo *(left)*, Accountant, Direct Payment Unit, GIC employee since 1979

The facilities unit sends health and other GIC program communications to agencies and enrollees, maintains equipment, furniture and lighting, and coordinates security and building issues. The unit arranges for training in job skills development for GIC employees. It also helps manage day-to-day operations of the GIC's pre-tax Health Care Spending Account and Dependent Care Assistance Program.

In FY05, the Administrative Services Division researched options and purchased a new telephone system. The GIC's existing system, purchased in 1986, had outlived its usefulness. The new system allows staff to monitor telephone demand, thereby reducing telephone wait time and abandoned calls. It also replaced an obsolete mailing machine, which streamlined monthly mailings.

Operations Division

The Operations Division processes enrollment and coverage changes for insureds and resolves eligibility matters with the insurance carriers. The division also provides technical support to GIC Coordinators at 950 locations across the state. The Operations division handled over 65,000 retiree, coordinator and eligibility calls in FY05. In cooperation with the Human Resources Division, the Operations Division helped to develop a GIC benefits section in the New Employee Orientation Guide.

In FY05, the division worked on establishing an interface with the State Board of Retirement. This new system automatically adjusts GIC premium deductions on the retirees' pension checks to reflect rate and coverage changes. Prior to this interface, both the State Board of Retirement and GIC systems had to be manually updated.

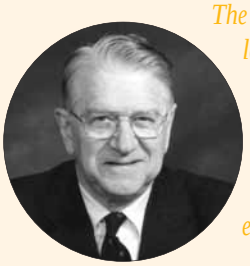
The division is responsible for planning and running the annual enrollment health fairs. In FY05 the division held 17 health fairs, which were attended by over 6,700 enrollees. The online enrollment system, devised in conjunction with the Systems Division, was enhanced to help staff at the fairs facilitate more annual enrollment changes without handwriting numerous forms.

GIC Staff Collaborate to Advance the Agenda

Legal Division

The Legal Division provides a wide array of services, including contract drafting and compliance: analyzing and monitoring health and other benefit policies, and regulatory issues and developments. The Legal Division also participates in Commission procurements and works on a steady caseload of affirmative and defensive matters with the Attorney General's Office. One recent settlement of $270,000 is earmarked to help educate enrollees on prescription drug benefits.

Legal Counsel for the Commission also participated in internal and external activities relating to the federal Health Insurance Portability and Accountability Act (HIPAA) to ensure the agency's compliance with all privacy and security provisions. GIC Counsel also worked to ensure the privacy of enrollees' medical records in the MedsInfo-ED pilot program.



The biggest issues facing the Commission were escalating costs and the challenge of how to apply purchasing pressure, while maintaining a user-friendly environment for state enrollees. The Commission was also concerned with the issue of quality, a subject poorly addressed by many payers. Finally is the matter of political pressure. A functioning democracy is endlessly subjected to pressures from many directions. Good government works to balance matters out.

The Commission got a) hard data about cost, trends, and performance, b) plan comparisons and c) enrollee desires. And worked in the context of combined purchasing groups.

Many boards don't work very well. This board actually functioned quite effectively representing both constituents and the public at large. Look at the changes in plans and plan options over the years. Why? Because it was of the government, but not wholly within the government and GIC has been fortunate to have first-rate staff and executive leadership. As they say in the Navy, "Well done."

Charles D. Baker, Sr., Commissioner 1992-1999

Information Systems and Technology

The Information Systems and Technology Division manages and maintains all agency computer hardware and software. The division's data entry unit enters transactions and verifies the integrity of the data on the system. In FY05 the division successfully completed systems implementations for new health plans offered during annual enrollment. The division also worked with the Operations Division to improve on the online enrollment system for the health fairs.

Establishing an interface with the federal Centers for Medicare and Medicaid Services will ensure that the correct party (federal or state) is the primary payer for enrollees over age 65. Throughout FY05, the Division began preparing for this major programming initiative, which should solve a long-time and expensive problem when reconciliations uncover those over 65, but still working, whose health benefits have been incorrectly covered by Medicare because their health care provider billed Medicare instead of the GIC.

In cooperation with the Operations Division, the Information Systems and Technology Division developed a network to enable Operations staff to store and search the 1.2 million beneficiary records on file. Previously, only one staff member at a time had access, resulting in service bottlenecks. By developing this system in-house, the department saved at least $25,000 over outside bids received for the project.

Continuing in Our Role as a Health and Benefits Leader

Looking Ahead

The GIC will continue to move the ball down the health and benefits field in the months and years ahead. As our Clinical Performance Improvement Initiative continues to evolve, physician tiering based on comprehensive data on cost-efficiency and quality will begin in FY07. In future years, we plan to expand the range and number of providers that our plans will measure.

Rising health care costs are not going away. New technologies, new drugs and increasing provider costs will continue to push health care costs upward. Meanwhile, consumers continue to demand more health care services. Additionally, providers will continue to pass on costs to health plans to offset lower reimbursements from the federal and state governments' public health care programs to help pay for rising health care wages.

Before we established an interface with the State Board of Retirement in 2004, we had to manually update both the GIC's eligibility system and State Board of Retirement's GIC deduction screens to ensure that the correct premium was deducted from retirees' pension checks. With the new interface, we eliminated this manual process, which improves accuracy and frees operational staff to service enrollees and agency Coordinators.

Paul Murphy, Assistant Director of Operations, GIC employee since 1983

The GIC will continue to lead the way in engaging all health care parties to address rising costs and gaps in quality – the health plans, other purchasers, providers, government entities and especially consumers. Consumers must be part of the equation; only when they become more involved in maintaining a healthy lifestyle, in choosing wisely which providers they see, in being judicious about which services they use, and at what cost, will quality improve and cost increases moderate.

The GIC's initiatives to address quality and cost-effectiveness will positively affect GIC enrollees as well as all Commonwealth residents. The GIC hopes these efforts will pave the way for the private sector and other purchasers to join the GIC in its quest to improve care and control costs. As the GIC proceeds with these innovative efforts, communications and technology will continue to play a vital role. Health care is complex, and helping members and other stakeholders to understand the why's and how's of the GIC's CPI Initiative will be critical to its success. Additionally, the GIC will be looking to improve its information systems' efficiencies to help the GIC meet its business needs.

As the Patriots know all too well, moving the ball down the field is not always easy. In the health care industry, it is rarely without controversy. But, it is rewarding to know that the GIC has helped enrollees and the citizens of the Commonwealth and stimulated discussion and debate about health care and its future. As we look to the next 50 years, the GIC will continue in its role as a catalyst for change – this year, next year, and in the years to come.

Financial Reports

GROUP INSURANCE COMMISSION STATEMENT OF EXPENDITURES

JULY 1, 2004 - JUNE 30, 2005

DESCRIPTION	COMMONWEALTH	EMPLOYEES
Administration (a)	$1,958,331	$0
State Employees and Retirees' Basic Life Insurance	$6,847,503	$1,488,167
State Employees' Optional Life Insurance	$0	$17,744,524
State Employees' Health Insurance (b)	$778,256,308	$177,763,573
State Employees' Dental And Vision for Managers, Legislators, Legislative Staff and Certain Employees of the Executive Offices	$5,675,770	$1,001,106
Long Term Disability For State Employees	$0	$9,388,412
Elderly Governmental Retirees' Health Insurance (c)	$1,000,967	$154,659
Retired Municipal Teachers' Life Insurance	$871,355	$179,833
Retired Municipal Teachers' Health Insurance	$51,860,625	$8,482,277
Grand Totals	$846,470,859	$216,202,551

(a) Plus an additional $958,007 from employees' trust funds and $433,368 from rate stabilization reserves which were used to pay employees' salaries as well as other administrative costs such as postage, telephone and supplies. These amounts are shown on the next two statements.

(b) Medical and prescription drug co-payments and deductibles for FY05 totaled approximately $100.8 million

(c) The EGR share includes $48,733 from the EGR Trust Fund and $38,682 from the EGR Rate Stabilization Reserve. These amounts are subsidies to these retirees' premiums.

RATE STABILIZATION RESERVE STATEMENT

JULY 1, 2004-JUNE 30, 2005

RESERVE	BALANCE	RECEIPTS	EXPENDITURES	BALANCE
7/1/04	6/30/04	7/1/04 - 6/30/05	7/1/04 - 6/30/05	6/30/05
Basic Life	$421,687.48	$2,422.30	$396,990.81	$27,118.97
Optional Life	$16,543,937.71	$6,482,147.46	$0	$23,026,085.17
Employee Health	$100,541.05	$1,379.46	$36,377.83	$65,542.68
Elderly Governmental Retiree Health	$284,048.13	$4,725.27	$38,682.29	$250,091.11
Retired Municipal Teacher Life	$91,051.63	$1,951.27	$0	$93,002.90
Retired Municipal Teacher Health	$24,441.59	$523.77	$0	$24,965.36
TOTAL	$17,465,707.59	$6,493,149.53	$472,050.93	$23,486,806.19

Financial Reports

EMPLOYEES' TRUST FUND STATEMENTS

STATE EMPLOYEES' TRUST FUND

JULY 1, 2004-JUNE 30, 2005

Balance 7/1/2004	$2,754,544.34
Receipts	$418,175.05
Expenditures	($958,007.19)
Balance 6/30/2005	$2,214,712.20

ELDERLY GOVERNMENTAL RETIREES' TRUST FUND

JULY 1, 2004-JUNE 30, 2005

Balance 7/1/2004	$315,582.24
Receipts	$5,958.15
Expenditures	($48,733.00)
Balance 6/30/2005	$272,807.39

RETIRED MUNICIPAL TEACHERS' TRUST FUND

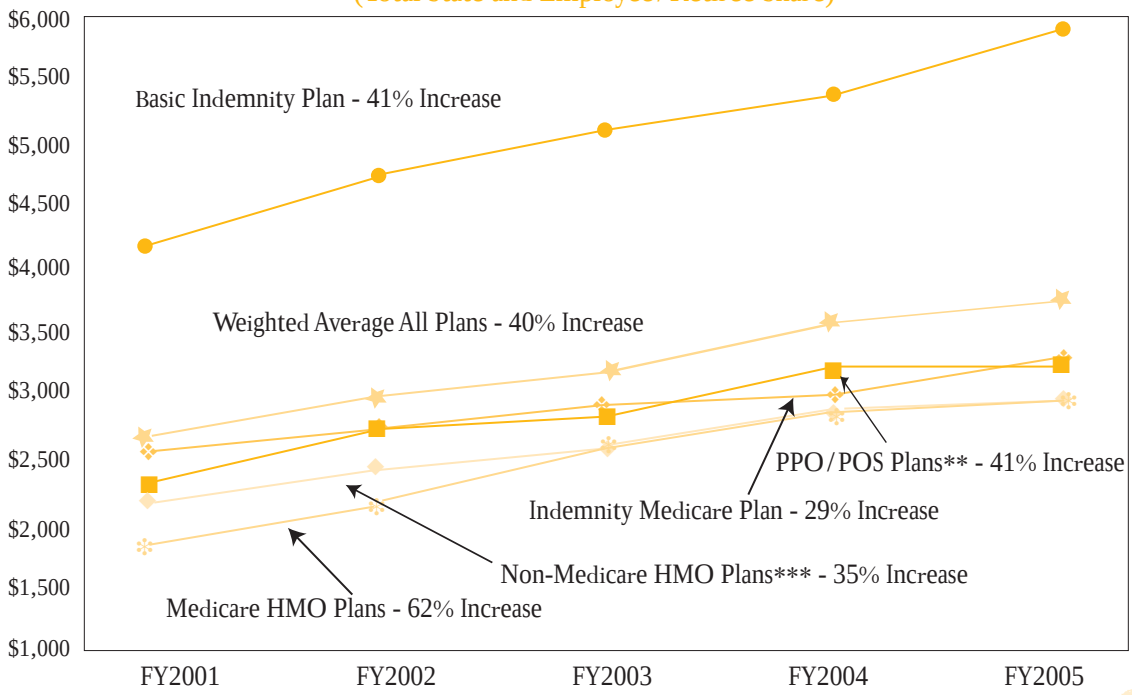
JULY 1, 2004-JUNE 30, 2005

Balance 7/1/2004	$0.19
Receipts	$0.00
Expenditures	$0.00
Balance 6/30/2005	$0.19

Trend Reports

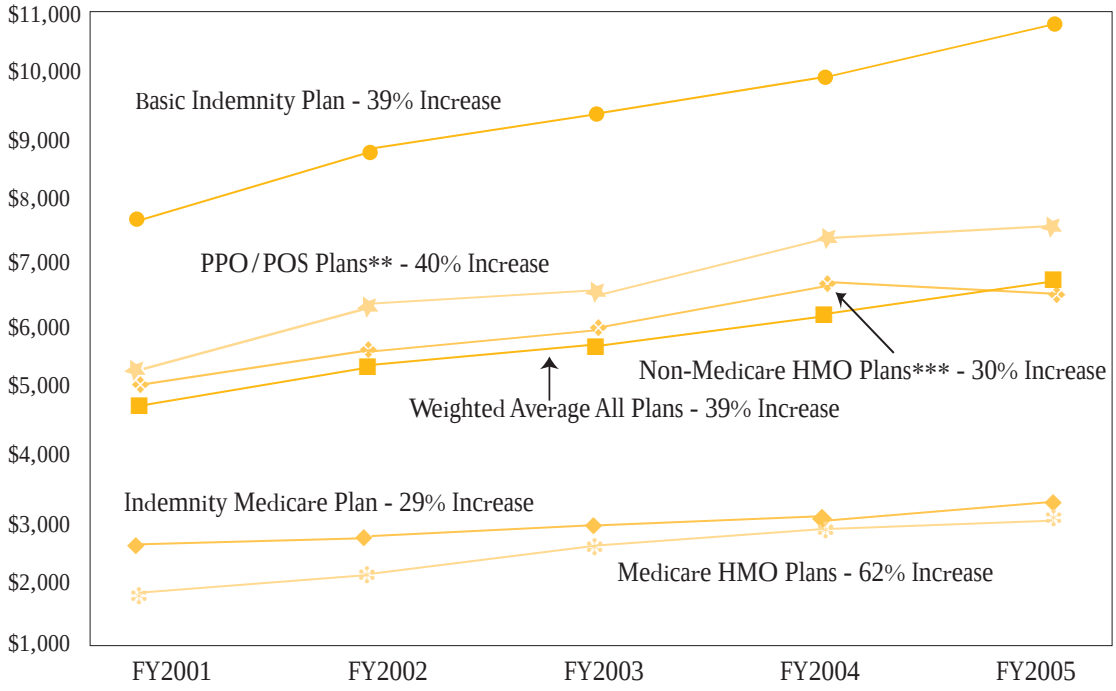
COST PER CAPITA*

(Total State and Employee/Retiree Share)



COST PER SUBSCRIBER (ENROLLEE)*

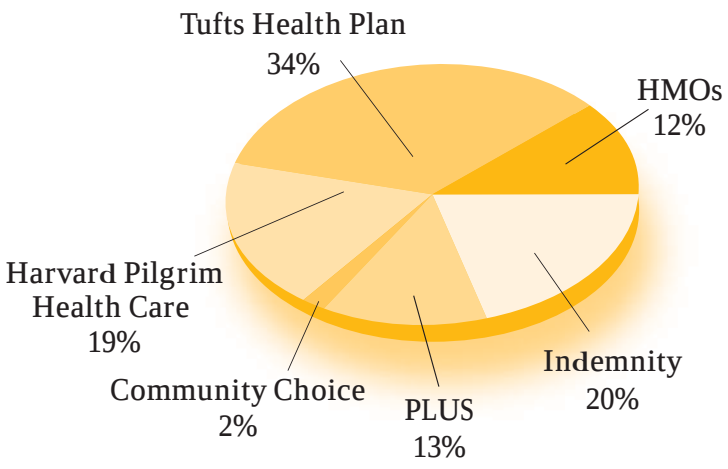
(Total State and Employee/Retiree Share)



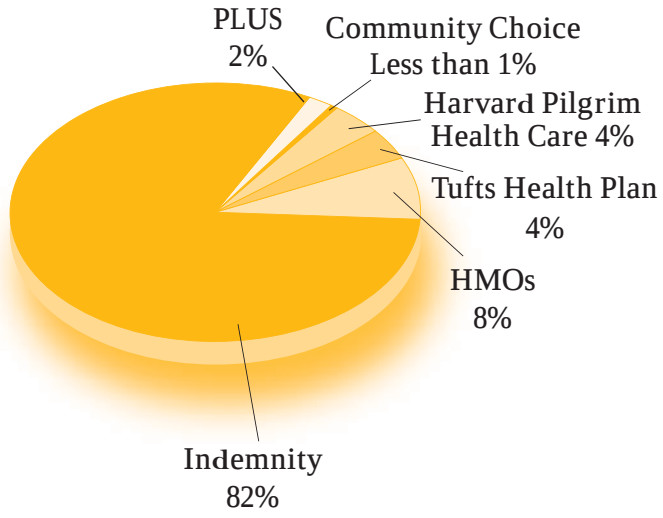
*Does not include EGRs, RMTs, or enrollees out of pocket expenses.
**PPO/POS Plans included the Indemnity PLUS and Commonwealth PPO plans through 2004. In 2005 the HPHC POS, the Indemnity Community Choice, and the Tufts Navigator plans were added and the Commonwealth PPO was discontinued.
***In 2005, the Harvard Pilgrim Health Care and Tufts Health Plan Non-Medicare HMO plans were discontinued.
Source: Pool 1 Age/Sex Composition Analysis, Fiscal Year 2005.

Trend Reports

Enrollment By Plan FY2005 Active Employees



Enrollment By Plan FY2005 Retirees And Survivors



Source: Pool 1 Age / Sex Composition Analysis, Fiscal Year 2005. *Does not include EGRs and RMTs.

HEALTH PLAN MEMBERSHIP BY INSURED STATUS FY2005

	TOTAL ACTIVE*	TOTAL RET & SUR	TOTAL EGR&RMT	TOTAL ENROLLEES	TOTAL DEPENDENTS	TOTAL LIVES
Indeminty Plan	15,141	52,840	10,006	77,987	23,969	101,956
PLUS	9,960	1,345	0	11,305	14,453	25,758
Community Choice	1,292	172	0	1,464	1,850	3,314
Fallon Community Health Plan- Direct	738	61	6	805	772	1,577
Fallon Community Health Plan-Select	2,355	1,148	105	3,608	3,540	7,148
Harvard Pilgrim Health Care	14,380	3,614	111	18,105	22,778	40,883
Health New England	4,930	1,244	141	6,315	7,268	13,583
Neighborhood Health Plan	983	47	57	1,087	1,101	2,188
Tufts Health Plan	26,616	3,980	97	30,693	39,436	70,129
Total Indemnity Plan	15,141	52,840	10,006	89,292	38,422	127,714
Total PPO	52,246	6,672	0	1,464	1,850	3,314
Total HMOs	9,008	4,939	517	60,613	74,895	135,508
TOTAL-ALL	76,395	64,451	10523	151,369	115,167	266,536
Indemnity Plan % Total	20%	82%	95%	59%	33%	48%
PPO % Total	68%	10%	0%	1%	2%	1%
HMO % Total	12%	8%	5%	4%	65%	51%

*Active enrollment includes enrollment figures for students over 24.
Source: Pool I Age / Sex Composition Analysis, Fiscal Year 2005 and Pool II Age / Sex Composition Analysis, Fiscal Year 2005.

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Kerry Healey, Lieutenant Governor

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